

# URBAN RENEWAL:

## ITS ROLE IN SHAPING PORTLAND'S FUTURE

*Pioneer Courthouse Square Waterfront Park Eastbank Esplanade Union Station PSU Urban Plaza Walnut Park Oregon Convention Center Pioneer Place*

What do these new or renovated Portland landmarks have in common? Urban renewal. These developments are the result of neighbors, business leaders and city government working together to create positive changes in our community. And that, in a nutshell, is what urban renewal is all about.



New business in the North Interstate Urban Renewal Area



City Council Hearing



Walnut Park Mural Project in Oregon Convention Center URA



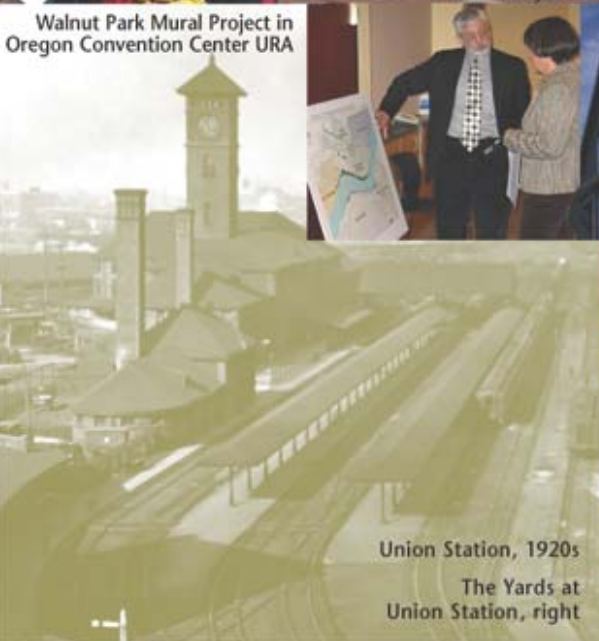
Streetcar at Portland State University Urban Plaza



PDC Home Loan Recipient



Eastbank Esplanade, Center Eastside and Oregon Convention Center Urban Renewal Area



Union Station, 1920s  
The Yards at Union Station, right



Eastbank, "before"



Urban Renewal Public Involvement



*Investing in Portland's Future*

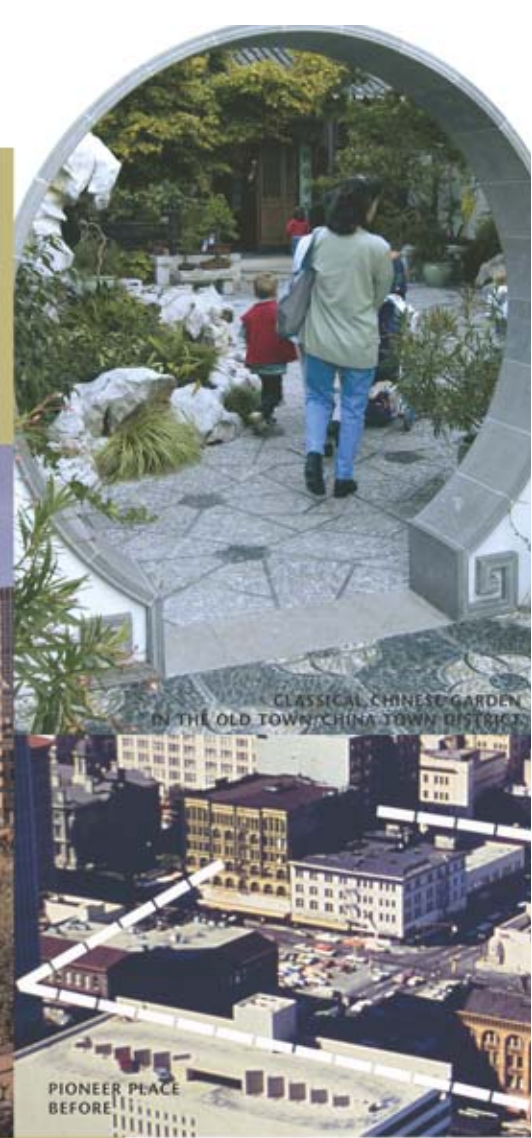
**PDC**

PORTLAND DEVELOPMENT COMMISSION



## URBAN RENEWAL:

### *Notable PDC Projects*



- Pioneer Courthouse Square in the center of downtown, now referred to as "Portland's living room," where public events and gatherings take place year-round. (Completed in 1984, it replaced a former parking lot with a square city block of vibrancy and activity.)
- Redevelopment of both sides of the Willamette River for open space and other uses, including Tom McCall Waterfront Park (which replaced the Harbor Drive expressway in the mid 1970s) and mile-long Eastbank Esplanade (completed 2001).
- Preservation of northwest Portland's historic Union Station, still functioning as a passenger train depot. The surrounding Old Town/ Chinatown area now features a Classical Chinese Garden, Central City Streetcar service, and a rich history that places the neighborhood on the National Register of Historic Places. The nearby Pearl District is transforming into a neighborhood of loft-dwellers in renovated warehouses, and a center for creative services, art galleries, parks and popular restaurants.
- An ongoing partnership with Portland State University that added the South Park Blocks as well as much needed student housing and, most recently, the new PSU Urban Plaza. PDC will continue this collaboration through the construction of a new engineering facility that will provide 21st Century jobs.
- Business loans, storefront grants and home loans to revitalize neighborhoods throughout the city.
- A new four-block office, retail, restaurant and parking facility known as Pioneer Place, located in the heart of the downtown adding new retail vitality to the area.
- Development of the Oregon Convention Center resulting in trade show and convention business for the city as well as redevelopment of the surrounding area. PDC is also supporting the Oregon Convention Center's current expansion.





## INTRODUCTION

Urban renewal is a state-authorized, redevelopment and finance program designed to help communities improve and redevelop areas that are physically deteriorated, suffering economic stagnation,

unsafe or poorly planned. The Portland Development Commission (PDC) uses urban renewal as a tool to focus public attention and resources in blighted or underused areas to stimulate private investment and improve neighborhood livability.

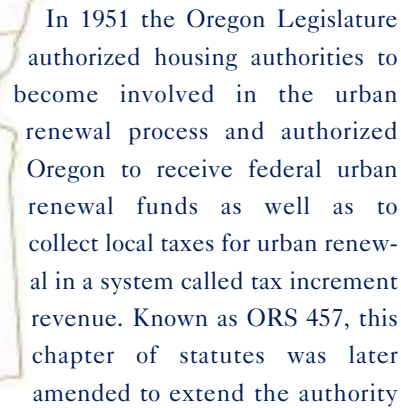
But how, exactly, has urban renewal performed in Portland? How is it continuing to create new community facilities, open spaces and transportation options, as well as stimulate new jobs and housing opportunities in the Rose City? This document looks briefly at the history of urban renewal and then explores the basics of how it works, why it is the preferred tool for revitalizing some areas, its costs and benefits, and its continuing role in investing in the projects and programs that make Portland a great place to live, work, and play.



PORTLAND'S CENTRAL CITY IN 1960, ABOVE, AND IN 2000, BELOW



**A.** Urban renewal emerged in the late 1940s as an attempt by the federal government to revitalize central cities that were losing population and resources to the new post-war suburbs. More than 40 Oregon cities and counties currently have urban renewal programs in operation.



*Q. How has urban renewal evolved over the years?*

*Q* What exactly does urban renewal do?

- Redevelopment projects such as those near light rail lines that combine retail and residential uses.
- Economic development loans for the construction or rehabilitation of business property tied to the creation or retention of family-wage jobs.
- Housing construction and rehabilitation loans and other financial tools to promote ownership and rental housing serving a variety of income levels.
- Streetscape improvements such as new lighting, trees, sidewalks and pedestrian amenities.
- Transportation enhancements such as light rail, streetcars and intersection improvements.
- Preservation of historic properties.
- Construction of parks and open spaces.

As Portland's urban renewal agency, PDC works within the existing physical and social environment to create and encourage redevelopment opportunities. This process involves extensive neighborhood involvement.



clearance and included projects such as the Ira Keller Fountain, new high rise apartments, business towers and parks. The South Auditorium project alone added more than \$394 million to the tax rolls by the time it was completed in 1974.

The Era of Activism is comprised of the years from the late sixties to early eighties, and includes projects such as the Model Cities and Neighborhood Development Programs, and the Downtown Waterfront, N.W. Front Avenue, South Park Blocks and St. Johns Urban Renewal Areas. The outcomes of this era are much more familiar – removing old Harbor Drive and turning Portland's face back to the river with the creation of Tom McCall Waterfront Park; building Portland's living room, Pioneer Courthouse Square, from a former parking lot; taking an underutilized former industrial area along the waterfront and developing a new neighborhood called RiverPlace

including housing, a hotel, restaurants, shops, a marina and a health club; and assembling four blocks downtown to serve as a retail catalyst we now know as Pioneer Place. This era saw a focus on job creation and Portland's entrée into the world of semiconductor manufacturing with the recruitment of Wacker Siltronic to the N.W. Front Avenue Urban Renewal Area. It also saw a new focus on housing – more

1960 BOUNDARY OF PORTLAND'S FIRST URA, SOUTH AUDITORIUM, UPPER LEFT & THE AREA TODAY.

FORMER VACANT INDUSTRIAL LAND (RIGHT) WAS CONVERTED TO A NEW NEIGHBORHOOD CALLED RIVERPLACE AS PART OF THE DOWNTOWN WATERFRONT URBAN RENEWAL PLAN.

than 10,000 homes were rehabilitated and hundreds of units of new housing were built downtown.

Stretching from the late eighties to today is the Era of Post Modern Urban Planning in which the philosophy of mixed-use planning and development took center stage. This era also has seen the firm recognition of the necessity of, and progress toward, broad citizen involvement in decision-

making processes. Community outreach in the planning and development of urban renewal areas is extensive and urban renewal advisory committees – the citizen committees that guide work in each individual area – often include more than 50 citizens. The projects of this era reflect recent headlines: the Eastbank Esplanade, Airport MAX, the PSU Urban Plaza and the new streetcar line that runs through it, the Walnut Park Retail Center along Martin Luther King, Jr. Blvd., the Classical Chinese Garden and the sprouting of a whole new neighborhood in the River District.



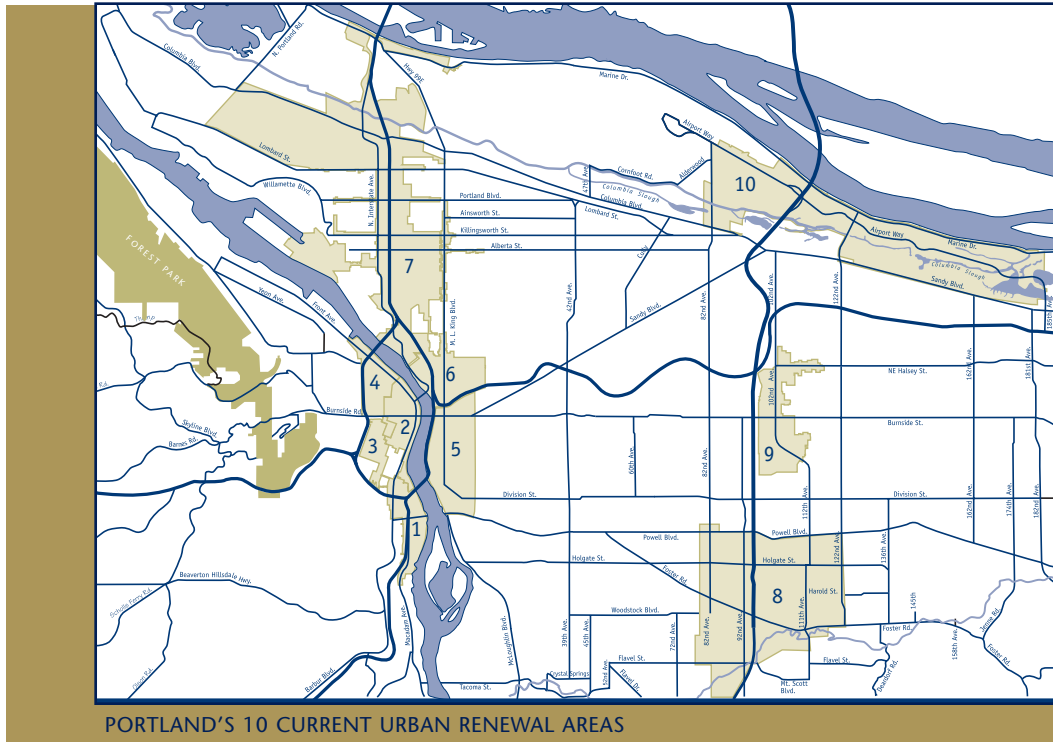
## URBAN RENEWAL AREA FORMATION

### *Q. How are urban renewal areas formed?*

**A.** First a community-based steering committee and PDC identify an area that can benefit from physical improvements – generally an area showing some degree of blight, such as poorly constructed buildings, lack of open spaces,

*Q. Are there limits on Portland's use of urban renewal?*

**A.** Yes. Under state law, the sum of all URAs in any one municipality Portland's size cannot exceed 15 percent of the total assessed value of that municipality or 15 percent of the total land area of that municipality. Currently, Portland's urban renewal areas make up 13.09 percent of the total land area and 9.38 percent of the total assessed value. This limitation serves to protect local taxing jurisdictions that rely on property tax revenues to finance their general funds. During the life of the URA, the local jurisdictions do not participate in the increases in property revenues above the fixed-base which are the result of urban renewal efforts since those dollars go to pay off the urban renewal bonds. However, they reap the benefits of greatly increased revenues when the URA debt is retired.



deteriorated properties, or an incompatible mix of uses. PDC and the community propose the boundaries to encompass the new urban renewal area (URA).

The size and composition of Portland's urban renewal areas vary widely, but each is designed to maximize the effectiveness of planned projects and programs. Boundaries are drawn with economic, legal and political considerations in mind. The boundaries of the Interstate Corridor URA, for example, expanded as neighborhoods in north and northeast Portland expressed their desire to benefit from urban renewal programs and dollars.

Residents of single-family neighborhoods encircling the Gateway Regional Center, however, asked that Gateway's URA comprise only the commercial and industrial core of the area. In both cases, an extensive public review process led by a citizen committee helped decide where the lines ultimately were drawn. This citizen input is combined with sophisticated financial analysis to make sure that a proposed plan area is economically feasible, and a legal analysis is done to make sure that the properties to be included in the plan area qualify for urban renewal. Then:

1. The City Council officially approves the boundary line around the area where attention is to be focused, creating an urban renewal area.
2. Based on input from community members and PDC, the City Council approves an urban renewal plan for the URA. This plan describes general goals and objectives and specific improvements to help meet those objectives.



3. With continuing guidance from the URA's community advisory committee, PDC manages the implementation or construction of specific projects, financing their cost through a combination of tax increment financing (see funding section, page 6) and resources from other public agencies as well as through public/private partnerships.

*Q. How much say does the public have in the creation of new urban renewal areas?*

**A.** A lot. Oregon law requires citizens be consulted throughout the urban renewal process. Formation of an URA is designed to have a long-lasting positive impact on

neighborhoods, so it only makes sense to consult the people living and working there about the scope, priorities and specifics of improvements. The urban renewal plan, which guides all public spending in the area, is conceived by citizens who are best able to make decisions about how to improve their neighborhood. And everyone benefits from better planning, more open space, more efficient traffic patterns, better transportation options, diversified housing choices, job growth and the other amenities that result from urban renewal – including significant crime reduction.

PDC actively solicits community members' ideas through periodic public meetings and open houses, information booths at community events, even door-to-door canvassing. There are also ongoing citizen advisory committees

and work groups in each URA guiding the renewal process as it unfolds. For example, a citizen committee of more than 50 people met for several months to draw the boundary of the Interstate URA and craft a list of 11 general principles that guide public investment in that area. A similar process took place in Gateway, where a group of more than 30 citizens worked for nearly two years to envision the area's future and draft an urban renewal plan.

There are also more formal opportunities for weighing in on the urban renewal process. Three public bodies must approve any new URA: PDC, the Portland Planning Commission and the City Council. Other jurisdictions affected by the URA, such as the county or local school district, are invited to comment as well.

*Q. How do urban renewal area projects and programs align with goals put forth by neighborhoods, the city and other policymaking bodies?*

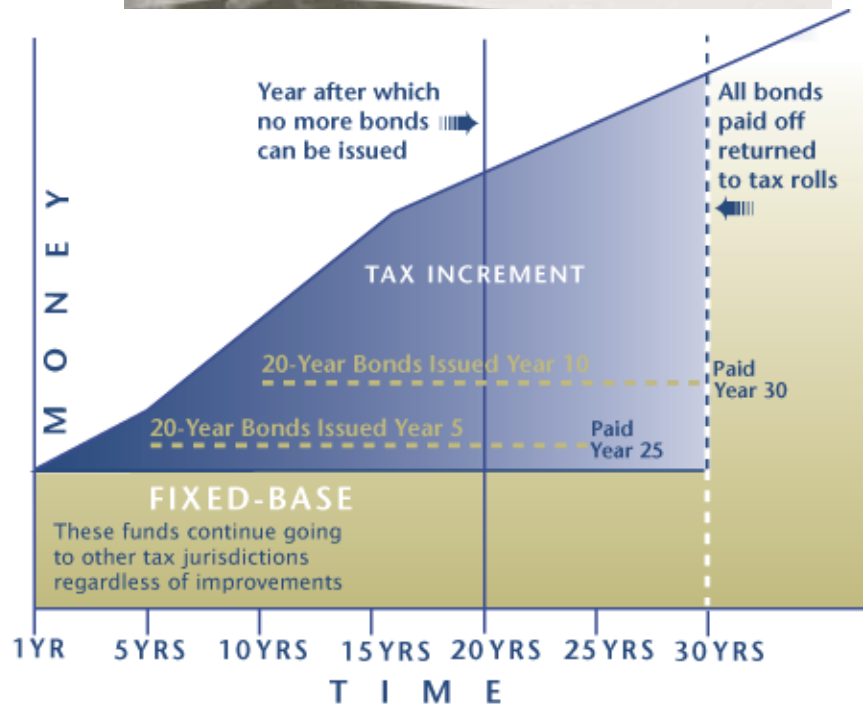
**A.** Urban renewal helps advance already established objectives by providing a funding method for implementation. Each URA plan specifically lists how it will help achieve neighborhood, city and regional policy objectives. For example, URAs created in the Lents and Gateway areas reflect not only their respective neighborhood plans and the Outer Southeast Community Plan, but also incorporate Metro's 2040 Regional Framework Plan, which calls for enhancing quality of life and preserving open space.

## URBAN RENEWAL FUNDING

### *Q. How is urban renewal funded?*

**A.** Expressed simply, future tax revenues above a fixed-base pay for revitalization efforts in urban renewal areas. When a municipality adopts an urban renewal plan, the assessed value of real property within the urban renewal area is fixed at current levels. The municipality then issues long-term bonds to pay for urban renewal improvements within the urban renewal area. As property values increase due to normal appreciation or as the result of new investment in the area, the corresponding increase in property tax revenues above the fixed-base (called tax increment financing, or TIF) is used to pay the urban renewal bonds. Formation of an urban renewal area does not result in a “new” tax. In addition, it is important to note that taxes below the fixed-base in urban renewal areas continue to go to other taxing jurisdictions such as the county, the city and schools.

For another perspective: if you live in an urban renewal area, increases in your property value generate taxes that go toward improvements taking place in your neighborhood. When the URA “expires” and the bonds are paid off, the additional property tax revenues return to the general fund of the city, county and other local jurisdictions.



### *Q. What about changes in urban renewal funding policy?*

**A.** The Oregon Legislature worked to redefine urban renewal financing a number of times. In the 1970s the legislature substantially rewrote Oregon urban renewal statutes, providing direction in the formation and operation of renewal agencies. The legislation expanded the permissible uses of tax increment financing, expanded the definition of “blight” which is a key term for defining an urban renewal district, restricted the percentage of assessed value that could be captured in an urban renewal district, and improved public participation in renewal efforts.

In 1991 the Oregon Legislature passed Measure 5 implementing legislation that required all taxes collected by means of tax increment financing to be categorized as local government taxes subject to the \$10/\$1,000 real market value tax limitation. For many cities this resulted in levied taxes exceeding the limit, and urban renewal agencies generally reduced or eliminated collecting tax increment revenues to lessen the “compression” losses to general government agencies. Oregon’s Tax Court ruled that Measure 5 also applied to taxes raised to repay urban renewal bonds, even those issued before the measure’s passage. This nearly eliminated all urban renewal funding in the state.





In 1997 Oregon's taxing structure changed again with the passage of Measure 47 and its subsequent replacement by Measure 50 (due to legal difficulties associated with Measure 47). Measure 50 replaced Oregon's levy-based property tax system with a rate-based system. Because the Measure 50 system of raising urban renewal taxes resulted in 50-60 percent less revenue than under Measure 5, specific provisions of the measure "grandfathered" plans in place as of the effective date of Measure 47, allowing existing urban renewal plans to complete their projects within Measure 5 property tax limits. Governments were allowed to "special levy" to have enough funds to pay off existing bonds and complete existing plans, but those levies are limited by Measure 5's compression effect on the \$10 per \$1,000 category. This essentially re-established tax increment financing, albeit with changes.

Another factor in the reestablishment of tax increment financing (TIF) was property values working their way out of "compression". Compression is the process of reducing the collected amount of property tax revenue to meet Measure 5 limits. This type of revenue loss is referred to as compression loss. As Portland's property values rose in the 1990s, the compression effect associated with Measure 5 was lessened. Measure 5 had set a tax collection limit of \$10 per \$1,000 of a property's real market value. In 1991 urban renewal agencies were forced to reduce collection of revenues to meet this limit and avoid compression of government revenues.

However, subsequent rapid growth of real market property values made collection of tax increment revenues possible again by raising the amount eligible for collection. (It is important to note that while property tax rates are generally discussed in terms of assessed value,

the limits apply to real market value. Prior to Measure 50, this distinction was unnecessary, as assessed value equaled real market value. Since assessed values were rolled back significantly under Measure 50 and their growth rate capped at three percent per year, they did not grow as fast as real market values, on which the limitations were based.)

On December 20, 2001 the Oregon Supreme Court filed its decision in the *Shilo Inn v. Multnomah County, City of Portland, and Portland Development Commission*. Before the court's decision, all property taxes were categorized based on the nature of the government entity that levies the taxes. The Supreme Court decision found unconstitutional the statute that requires this categorization and directed that taxes divided for urban renewal should be categorized as local government revenues for Measure 5 purposes. The decision reversed the prior Oregon Tax Court ruling that had affirmed the legality of the statutes, and remanded the case to that court for further proceedings. The Oregon Department of Revenue has adopted new administrative rules, providing the methodology for tax collection that will comply with the Supreme Court ruling. However, the effect of the litigation on Portland's urban renewal financing will not be known until the tax court determines the amount of refund to be paid.



## URBAN RENEWAL BENEFITS

### *Q. What is the benefit of urban renewal in terms of return on investment?*

**A.** Ideally, urban renewal should:

- improve and revitalize specific areas of the city;
- attract new businesses and increase jobs;
- add public improvements and enhanced livability;
- stimulate private investment; and
- increase property values.

Particularly pertinent in Oregon's current recessionary times, urban renewal serves as an essential tool in the city's economic development strategy to make Portland a center for a sustainable regional economy.

We recently took a look at the bottom line contributions of our five oldest urban renewal areas – Airport Way, the Central Eastside, the Downtown Waterfront, the Oregon Convention Center and the South Park Blocks. Here is what we found:

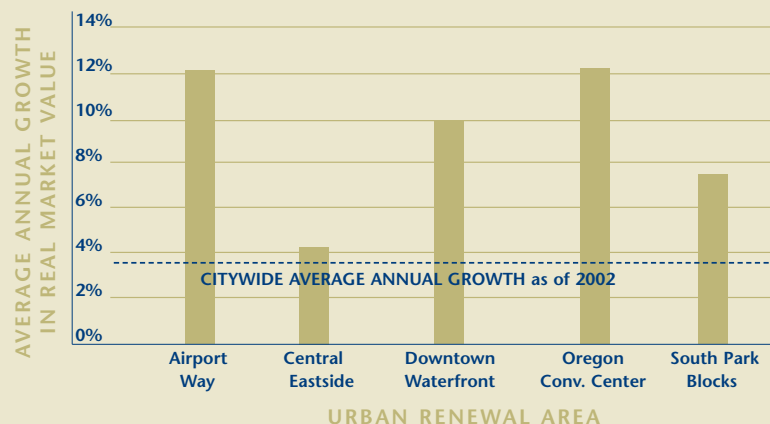
The five areas studied represent five percent of the city's geographical area but now represent 11 percent of its assessed value. Improvements-to-land values have increased in all of the areas except Airport Way, at rates above the city average. The improvements-to-land value ratio measures the value of capital improvements relative to land value. For example, an improvements-to-land value of one to one means the value of structures or "built" assets is worth only as much as the value of the land they occupy.

It is worth noting that in 1974, 34 percent of the properties in the Downtown Waterfront Urban Renewal Area had an improvement-to-land value of .25 to one and 74 percent had a ratio of one to one or less, meaning that three quarters of the properties in the Downtown Waterfront area were worth the same or less than the value of the land. In 2002 properties in the area had a total ratio of 3.6 to one – quite an improvement.

In 2002 inflation adjusted real market value in three of the urban renewal areas (Downtown Waterfront, Airport Way and the Oregon Convention Center) is at least three times greater than when the areas were created. Real market value has more than doubled in the South Park Blocks URA, and increased close to 50 percent in the Central Eastside. In all five URAs, increases in value have outpaced citywide market value growth (see chart at right). Depending on the urban renewal area, real market values increased between five and 13 percent per year through 2002, as compared to an annual average citywide growth rate of approximately four percent. Public capital investments to stimulate private development produce outstanding returns and ultimately stabilize local taxation.

Additionally, the police bureau reports that since 1990, crime has been reduced in four of the areas (figures were not kept for Airport Way) between 25 percent and 65 percent, compared to citywide reductions of 16 percent.

HARBOR DRIVE WAS MOVED AND REPLACED WITH TOM MCCALL WATERFRONT PARK (BELOW); AN INACCESSIBLE RIVERBANK BEFORE RIVER PLACE DEVELOPMENT (ABOVE RIGHT).







Just in the past five years urban renewal efforts citywide have helped create or retain more than 10,000 jobs and have helped create or rehabilitate more than 7,700 single and multi-family homes.

*Q. How does urban renewal leverage private investment?*

**A.** In urban renewal areas, public investment is used as a foundation to stimulate private investment on a much larger scale. The amount of urban renewal funds invest-

ed in any one area is small compared to the private investment that follows. Urban renewal is primarily used to update and improve an area's infrastructure – through capital expenditures on transportation improvements and parks, for example – and to provide incentives for desired development such as affordable housing, family-wage jobs and building refurbishment. The result is that private

SNAPSHOT OF FIVE URAs 2002

	Airport Way	Central Eastside	Downtown Waterfront	Oregon Conv. Center	South Park Blocks
Start - Expiration	1986-2011	1986-2006	1974-2004	1989-2013	1985-2008
Total Acres	2,780	681	309	601	161
Value at Start	\$249 million	\$504 million	\$466 million	\$465 million	\$692 million
Current Value	\$1,003 million	\$732 million	\$1,633 million	\$1,585 million	\$1,638 million
Avg. Annual Growth in Assessed Value*	+12.9%	+4.7%	+10.4%	+13.2%	+8%
Improvements to Land Value Ratio**	1.81:1	2.35:1	3.55:1	2.73:1	3.24:1
Crime Reduction Since 1980***	n/a	-48%	-65%	-25%	-63%

\*Average annual citywide growth rate is about 4 percent.

\*\*Indicates building density and intensity of capital investment.

\*\*\* Citywide, reported crimes have dropped by just under 16 percent since 1990.

investments pay for the lion's share of new building construction and renovation costs in urban renewal areas.

*Q. Why is urban renewal sometimes preferred to other means of improving an area?*

**A.** Urban renewal, particularly tax increment financing, is a simple and reliable way to focus financial resources on a particular area, and an effective means for stimulating and leveraging much larger private investment. While other sources of funding certainly exist, including the City General Fund and local, state and federal grants, they each have their drawbacks and are very limited. The City General Fund is stretched among multiple civil services such as police and fire protection. Obtaining grant money is challenging and often must be very narrowly focused.

*Q. How does urban renewal affect Portland property taxpayers?*

**A.** First, the formation of URAs does not result in new taxes. Urban renewal activities are financed by bonds, which are repaid from the tax revenues generated by the increase in value, over time, of properties within the URA boundary. Second, while residents within an URA may see their property values rise, property taxes are based on two things: assessed values, which are limited to a three percent annual increase in most cases and on tax rates.

*Q. What are the affects of urban renewal on housing affordability?*

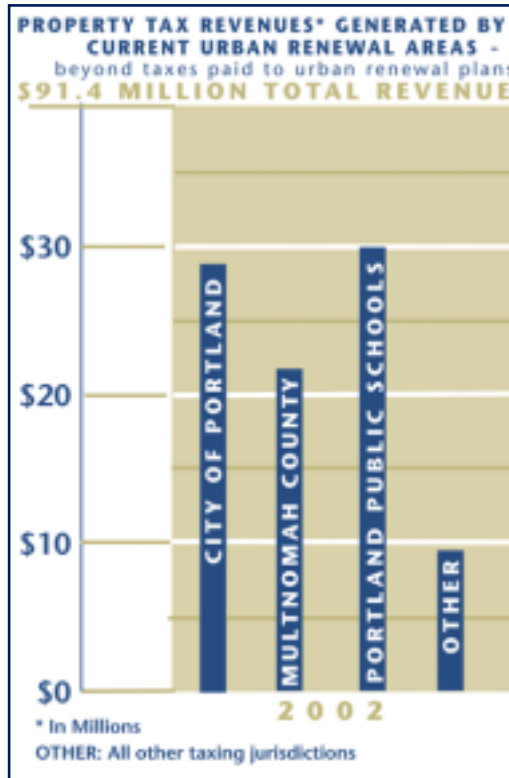
**A.** Affordable housing is often a priority in an urban renewal plan. For example, the first priority for money in the Interstate URA is developing and preserving housing affordable to the people most at risk of displacement. Affordable housing projects recently financed by urban renewal funds in Portland include Hamilton West (152 units at



Southwest 12th and Clay Street) and Kafoury Commons (129 units at Southwest 13th and Jefferson Street). As noted earlier, while the market values of property rise faster in URAs, Oregon law limits annual increases in assessed value for tax purposes in most circumstances, even in URAs.

*Q. What about involuntary displacement?*

**A.** In the distant past, when urban renewal often involved large-scale redevelopment, many businesses and residents were displaced. However, state law requires the urban renewal agency to compensate business and residences that must be relocated because of an urban renewal project. Those directly displaced by urban renewal were offered incentives and assistance in relocating. Today, however, urban renewal works to revitalize communities with minimal disruption. As an additional safety net, Portland has a “no net loss” housing policy, meaning that either through replacement or preservation, the city will retain at least the current number, type and affordability levels of housing units for people at or below 60 percent of area median income (as set by the federal government.)



*Q. How does urban renewal help control growth and congestion?*

**A.** Urban renewal dollars can be used to control growth and improve transportation infrastructure, which includes streets, bridges, sidewalks, etc. In the Gateway Regional Center URA, urban renewal emerged as the most realistic method to influence private development in a way that manages anticipated growth. Included in every urban renewal plan are ways to increase transportation options, better manage existing traffic flow, and direct new construction to enhance livability for current and future residents.



*Q. How does urban renewal affect other taxing entities, like the county and school districts, that also depend on property tax revenues?*

**A.** First, rising property values and the resulting growth in property tax revenues from Portland's first ten URAs (now completed), are now part of local jurisdictions' tax base – a tax base that has experienced significant additions due to urban renewal efforts. Second, local jurisdictions are already reaping the benefits of added tax revenues in four URAs that have not yet expired. In 1998 Portland's City Council voted to share tax increment revenues with Multnomah County and school districts whenever they exceed a predetermined amount in those URAs. Between fiscal years 1998 and 2001 this has generated an additional \$64.1 million in imposed levy authority for local government and statewide schools. This means additional property tax revenues for police, fire protection, libraries, the Oregon Zoo and other important services.

In Portland's six other active URAs, the tax base has been fixed at pre-urban renewal levels for the life of the URA. All local urban renewal areas continue to collect property taxes at the fixed amount for the life of the URA. Taxes generated from the increased assessed value above the fixed-base are invested in the URA. However, income tax revenue growth generated from newly created jobs in the URAs provides an immediate benefit. When urban renewal areas are retired, recent studies have shown that local jurisdictions access significantly increased property tax revenues.



## URBAN RENEWAL AND PORTLAND'S FUTURE

The many changes it has undergone since its inception assure that urban renewal meets changing community needs, and continues to be an effective way to reinvigorate portions of central cities. In Portland it has brought us new public assets, including some of our most famous landmarks, and provided incentives for private investment that revitalized neighborhoods and created new housing and jobs. Ongoing urban

renewal areas promise more of the same, through carefully crafted plans that reflect each area's history, culture and fullest potential. Some upcoming projects worth noting:

- Portland will continue to reclaim the waterfront, extending south from Riverplace into the North Macadam area where plans are to turn underused and vacant riverfront parcels into a center for jobs and housing, interconnected with spectacular greenways.

- By 2010 the 2,800-acre Airport Way URA is expected to become the dominant eastside employment center outside the central city with an additional 10,000 jobs. This includes development of the 120-acre CascadeStation along the Airport MAX light rail line. CascadeStation is envisioned as a transit-oriented, pedestrian-friendly center with Class A offices, hotels, conference facilities, retail shops and restaurants.

- In the north area of the city, some 5,000 new housing units have been built, or are under construction to create a whole new neighborhood in the River District, alongside the new mixed-use development planned for the former Blitz Weinhard Brewery property known as the Brewery Blocks.

- PDC is working with community partners to secure the funding for Vanport Square in Northeast Portland. The three-block, mixed-use project is anticipated to include retail, for-sale and rental housing, a fitness center, commercial office space, restaurant and entertainment venues, a community plaza and parking.

- Future phases of the Eastbank Esplanade are planned and will extend the popular east riverfront walkway south past the Oregon Museum of Science and Industry to connect to the Springwater Corridor Trail.

- Hotel operators continue to express interest in development of a Headquarters Hotel near the Oregon Convention Center. The city, through PDC, has long been interested in development of such a hotel and the convention business it would bring to help maximize the public's investment in the Convention Center and its expansion.

These and all future urban renewal endeavors will be guided by the citizens most affected by them. The public's expanding role in setting urban renewal priorities ensures that plans and projects reflect the right economic, social and cultural mix – and retain Portland's unique neighborhood character.

Pause and think for a moment about the things you like best about Portland – Pioneer Square, the Waterfront, the Classical Chinese Garden, the new storefronts of the shops in your neighborhood, the ability to find an affordable home and a good job, taking the light rail to the airport. These things are all made possible through the prudent investment of urban renewal funds. Now stop and think about your visions for Portland's future. Chances are, urban renewal will help make it happen.



CLASSICAL CHINESE GARDEN IN OLD TOWN/CHINA TOWN



## URBAN RENEWAL BENEFIT CASE STUDY I

*Total leverage for this project is almost 33:1 of private (taxable) to public (urban renewal) investment. Tax Increment Financing was critical to achieve public objectives of underground parking (which is more expensive to construct) and historic preservation.*

### BREWERY BLOCKS MIXED-USE DEVELOPMENT PROJECT OVERVIEW

The Brewery Blocks comprise a five-block, 1.7 million square foot redevelopment project between West Burnside and Northwest Davis Streets. It sits at the boundary between Portland's Central Business District and its rapidly redeveloping Pearl District. The blocks formerly housed the historic Blitz-Weinhard Brewery, which

#### BREWERY BLOCKS

Project Details	Block I	Block II	Block III	Block IV	Block V
Office Sq.Ft.	78,000	170,000		280,000	
Total Retail Sq.Ft.	40,000	50,000	51,000	27,000	27,000
Grocery	40,000				
Athletic Club			37,000		
Other		50,000	14,000	27,000	27,000
Miscellaneous Sq.Ft.	10,000				
Total Residential Units			125		245
Condos			125		
Apartments					245
Completion Date	March '02	Nov. '02	March '04	April '03	TBD

closed its doors in 1999. The redevelopment of this significant Portland icon is preserving important historic elements of the brewery, while bringing new uses and vitality to the blocks themselves and the surrounding neighborhood.

At completion, the blocks will include roughly 530,000 square feet (sq.ft.) of office space, 185,000 sq.ft. of retail, and 370 residential units. The first block is completed and leased, and three additional blocks will be completed by spring 2004. The project's components vary from a low-rise retail and office block to a 10-story office building and an apartment tower. Perhaps the largest speculative development undertaken within the city, its relatively dense mix of current and planned tenants includes a grocery store, athletic club, numerous restaurants and professional services, and the Art Institute of Portland.

The chart above details the project's components and associated timelines. Total developed area upon completion is estimated at 1.7 million sq.ft., including non-leasable (common) space and structured parking, a majority of which is below-grade. On-site employment is estimated at approximately 2,300 jobs, based upon employee to square footage ratios. These estimates do not include the office component of Phase I, which has been leased to a telecommunications firm with lower job densities.





## PRIVATE &amp; PUBLIC INVESTMENT

Total project value upon completion is \$294 million, with a taxable value of roughly \$270 million. Taxes on this value will be used to repay River District Urban Renewal Area bonds, and will return to the city's general fund tax revenue stream upon the urban renewal area's expiration in 2018.

The public's contribution to project costs is approximately \$8 million, \$6 million of which will be repaid at eight percent interest over 10 years (to assist with financing the construction of below-grade parking). The remaining \$2 million was invested in streetscape improvements throughout the project site.

Total leverage for this project is almost 33:1 of private (taxable) to public (urban renewal) investment. Tax increment financing was critical to achieve public objectives of underground parking (which is more expensive to construct) and historic preservation.

The Brewery Blocks is an example of an ambitious vision that the city was positioned to influence, due to the incorporation of an urban renewal district six months earlier. While the brewery's sale and subsequent closure was not foreseen at the time the urban renewal plan was prepared, the River District Urban Renewal Area was instrumental in providing the city with tools to bring to the negotiation table when the property was

resold and the redevelopment was first conceptualized.

## ADDITIONAL PUBLIC BENEFITS

Upon project completion, on-site employment will increase 23-fold from its level during the last years of the brewery's operation.

- Brewery Block redevelopment will greatly contribute to the vibrancy of West Burnside, enlivening a gateway to the city and improving public safety through increased street activity. This impact is amplified by the investment the redevelopment encourages on the part of near-by landowners: for example, rehabilitation is already planned for the building immediately across Burnside. Historic portions of the brewery – including the armory, brew pub and historic smoke stack – will be preserved and incorporated into the site's new uses, in part due to the availability of tax increment financing funds.
- Portland streetcar ridership will be encouraged by the project's status as a significant new attraction along the line. Likewise, the streetcar line boosts the project's accessibility and integration with downtown and Northwest Portland.
- A significant portion of the project's parking will be below-grade, allowing above-grade floors to host active retail, office and residential uses. This construction was enabled through tax increment financing.



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## URBAN RENEWAL BENEFIT CASE STUDY II

*The project is situated along the MAX light rail line, across the Willamette River from downtown. It is the only affordably-priced residential project currently under planning or construction in the city's transit, jobs and retail-rich Lloyd District.*

### CASCADIAN AFFORDABLE CONDOMINIUMS PROJECT OVERVIEW

The Cascadian is an urban homeownership project bringing 59 new housing units to Portland's Lloyd District. While all of the units are considered 'market rate,' 45 will be sold for prices below Portland's rapidly rising median home sales price.

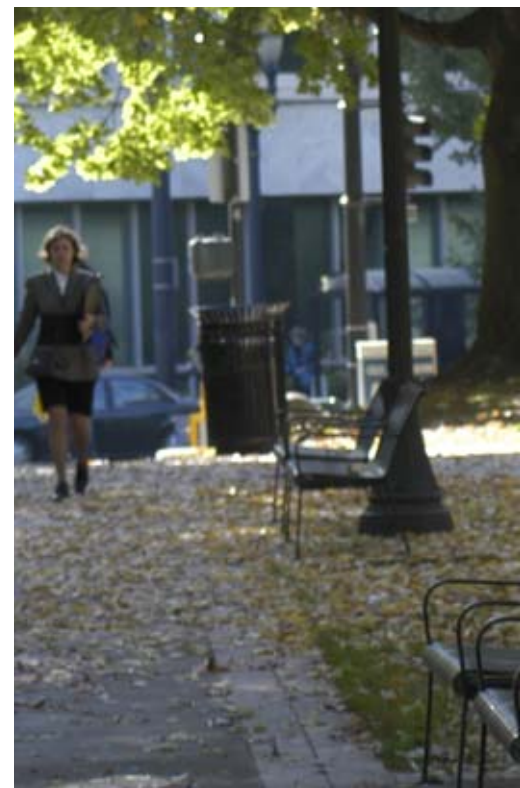
SQ. FEET	NO. OF UNITS	PRICE (1000s)	NO. TAX EXEMPT	SQ. FEET	NO. OF UNITS	PRICE (1000s)	NO. TAX EXEMPT
440	6	\$99-\$125	6	706	5	\$149-\$177	3
507	1	\$113	1	771	5	\$129-\$149	5
517	6	\$75-\$99	6	822	1	\$160	1
546	1	\$89	1	904	5	\$204-\$324	0
553	1	\$115	1	967	6	\$162-\$244	1
584	5	\$98-\$112	5	1,300	1	\$371	0
585	5	\$129-\$154	5	1,414	1	\$404	0
609	1	\$116	1	1,765	1	\$504	0
641	1	\$118	1	1,940	1	\$554	0
697	5	\$117-\$134	5	2,036	1	\$581	0

Expansive windows and good design help to compensate for relatively small unit sizes. Parking at reduced ratios helps to decrease project costs and supports the use of nearby light rail transit. At seven stories of largely steel and glass, the Cascadian is recognized as a modern departure from both recent Central City housing development and the more suburban-scale development typical of the city's eastside.

The project was completed in early 2002. As of August 2002, 45 of the 59 units had sold.

### PROJECT DETAILS

The chart above details unit sizes and asking prices. A total of 42 units qualify for a limited 10 year tax abatement, further decreasing buyer costs in this home ownership project. The project includes 14 on-site parking spaces. The primary target market is single, Portland employees.





## PRIVATE &amp; PUBLIC INVESTMENT

Project costs total \$8.2 million, of which \$1.2 million was contributed as public investment through tax increment financing. *This equates to a private/public investment ratio of 5.8:1. If all units have sold by 2003, new property taxes on \$5.1 million*



*will return to the Oregon Convention Center Urban Renewal Area.* The project's full value in 2002, roughly \$10.2 million, will be added to the city's tax rolls when the Oregon Convention Center Urban Renewal District expires.

## ADDITIONAL PUBLIC BENEFITS

- The Cascadian brings affordable homeownership units into a Central City area in which no moderately priced projects are currently under construction or planned. Two recently constructed market rate apartment buildings report high occupancy rates, and a 184-unit apartment building is planned across the street that will offer an upper end urban housing product comparable to higher priced residential units available in the Pearl District.
- The Cascadian helps to ensure that the housing developed within the Lloyd District reflects the city's income distribution. The project's affordability – despite cost reductions through small sized units and minimal parking – is directly attributable to TIF funds that reduced total project costs.

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# URBAN RENEWAL BENEFIT CASE STUDY III

*Neighborhoods on both the west and eastside of the Willamette River are interested in developing streetcar extensions, based upon the success of this prototype for Portland urban transportation.*

## PORTLAND STREETCAR – PROJECT OVERVIEW

Urban Renewal and tax increment financing (TIF) were instrumental to reintroducing the streetcar to downtown Portland in July 2001, its first appearance since the 1950s. With just under five miles of tracks, the Portland Streetcar connects NW 23rd Avenue with numerous Central City neighborhoods: NW 23rd Avenue/Good Samaritan Hospital, the River District, the Pearl District, downtown’s Cultural District, West End, and Portland State University.

The streetcar project was conceived as a means to improve traffic conditions and transportation options within the city’s core, the latest chapter in Portland’s 1972 commitment to create a ‘downtown circulator.’ The streetcar was also intended to attract development in the city’s newest and now burgeoning neighborhood, the River District.

A former 30+ acre abandoned rail yard, the River District has made great strides towards becoming Portland’s densest, mixed-use urban neighborhood in less than a decade. In addition to serving new residents and residential development within the River District, the Portland Streetcar is expected to generate investment along the length of its route.

Designed to fit the scale of the neighborhoods through which it travels, the cars share the road with automobiles, preserving on-street parking, auto access to retail uses and pedestrian connections along the route. Its frequent service, route reliability and ease of entrance and exit – in addition to the inherent love of trains held by many residents – led to the city choosing this transit option for downtown and suburb to downtown travel.

## PROJECT DETAILS – PRIVATE & PUBLIC INVESTMENT

Total public investment in the streetcar was \$56.7 million, including the construction of the line and maintenance facility and acquisition of seven cars. Of the total, \$25 million in TIF from the South Park Blocks Urban Renewal Area (URA) was made available for the project. In addition, private sector financing through the formation of a Local Improvement District provided \$10.6 million toward the capital costs of the project.

Financial leverage for this public investment is two-fold: first, it ensured that a density of housing units at a prescribed price mix would be constructed in the River District (or that if market conditions declined, the area would be preserved for



PORTLAND STREETCAR PROJECT CHARACTERISTICS			
Number of Cars:	7	Ridership:	
Employees:	23	Weekdays	4,000
Service Schedule:		Saturdays	4,600
Mon. - Thurs.	5:30 am - 11:30 pm	Sundays	3,300
Friday	5:30 am - 1:00 am	Car dimensions:	8' x 66'
Saturday	7:30 am - 1:00 am	Car manufacturer:	Skoda, Czech Republic
Sunday	7:30 am - 10:30 pm	New improvements:	
Frequency:	15 minutes (daytime)	• Streetcar Arrival Time	
Fare:	Mostly free	• "Ride & Dine"	
	\$1.25 outside of fareless zone	• A guide to restaurants along route	





Use Classification	Value Increase
Apartment (5-20 units)	38%
Attached housing	23%
Auto garage/service	20%
Church	16%
Community multi-use	20%
Condo	20%
Fraternal building	16%
Garage/parking	20%
Hotel/motel	16%
Industrial, general	34%
Medical	20%
Office	16%
Residential misc.	20%
Restaurant	20%
Retail	16%
Surface parking	16%
Vacant land	19%
Warehouse	20%

future residential development). This development contributes significant dollars to repay urban renewal bonds, dollars that will contribute to the city's property tax revenues at the URA's expiration. Second, the streetcar impacts property values along the length of the line, immediately increasing tax rolls both within and outside of the urban renewal district.

The Use Classification list, left, illustrates the value increase realized by property categories within 100 feet of the line between 1999, when construction of the line began, and 2001, the year the line opened.

Even before the streetcar's completion, properties along the line increased an average of 17 percent over two years, or eight percent annually. This is twice the city's annual average growth in assessed property values.

#### ADDITIONAL PUBLIC BENEFITS

- The Portland Streetcar provides a convenient and attractive alternative to automobile travel within the Central City and close-in Northwest neighborhoods. This serves numerous public objectives, including:
  - Reducing parking demand
  - Reducing air pollution
  - Encouraging employers to locate in and residents to spend time shopping in and enjoying the Central City.
- Constructing the streetcar through still-developing and redeveloping neighborhoods allows development to respond to the amenity that the streetcar represents, focusing higher densities near this alternative mode of public transportation.
- The increased densities that the streetcar investment was able to ensure contribute to the realization of housing goals for both the City of Portland and the Central City. These goals are essential to retaining investment in the region's core and reducing pressure to expand the region's urban growth boundary.
- The streetcar investment was a factor in influencing the character and dollar value of Central City redevelopment. For example, in the development agreement with Hoyt Street Properties (a primary River District landowner), minimum housing density increased an additional 22 units per acre when streetcar construction began. The development agreement also called for housing that reflects the city's income ranges: 15 percent for extremely low- and low-incomes (less than 50 percent of the median family income) and 20 percent for moderate incomes (up to 80 percent of median family income). Affordable housing development is predicated on the availability of public financial assistance, recognizing the high cost of Central City housing construction. As of July 2001, this developer had constructed 946 units at an average density of 143 units per acre.

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**For more information on PDC's urban  
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visit the PDC website at [www.pdc.us](http://www.pdc.us).**

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